

1 In late 2002, early 2003, David Kaufman
2 persuaded the company to put together a group
3 that became known as the UTC-CTIA Users Group,
4 and their approach was that they tried to have
5 the Commission not do any rebanding under any
6 approach, but just have technical standards
7 and mitigation tactics address the
8 interference with public safety systems. And
9 Preferred was part of what became a very large
10 group. The Commission decided to go ahead
11 with rebanding in any case, as you know. So
12 then I tried to persuade Matt and the others
13 to adopt a certain approach, which they didn't
14 do.

15 They went to see the Commission in
16 March, 2003 with the first approach. The
17 second approach, they had -- there was an
18 article that was written in the trade press,
19 that Nextel and the WTB, Muleta and Wilhelm
20 were negotiating with the various parties, and
21 it was time to -- it was pretty obvious that,
22 if Preferred was going to be involved and get

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1 a favorable result, it was going to have to
2 meet with John Muleta and Michael Wilhelm and
3 work something out.

4 And Kaufman went to Muleta and they
5 arranged a meeting. And Matt and Chuck Guskey
6 went up to see the Commission with Kaufman.
7 And Matt came back after that, and slowly told
8 me what had happened, and he decided at that
9 point that Preferred was going to have to do
10 a major filing and try to do something
11 different.

12 Q Okay. Once again, your role at
13 that point, were you doing drafting? Were you
14 contacting lawyers? What were you doing?

15 A Mostly writing memos that nobody
16 was reading or following. And I helped Alex
17 Calderon and Lipin Tan at Concepts To
18 Operations, Inc. We put together a cost
19 analysis of the rebanding proceeding, and
20 eventually got that written up, and filed.
21 Preferred ended up filing that as part of a,
22 I believe the March 2004 filing.

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1 Q Did you ever submit pleadings or
2 portions of pleadings that you yourself
3 drafted to David Kaufman?

4 A Not to David Kaufman.

5 Q Did you submit it to some other
6 attorneys or law firms?

7 A No. Actually what happened was
8 Preferred ran -- didn't have any money, so --

9 Q When was this?

10 A Late 2003 into 2004. So Matt
11 decided the company should do this major
12 filing. I wanted to work on raising money in
13 January, February, March 2004, but I got
14 overruled. So I was told to draft up a
15 filing. This was -- so I didn't have any
16 choice, so I started doing research, and I
17 tried to do a fairly short filing, gave it to
18 Matt for his review. He didn't like it, so he
19 wanted a major filing.

20 So by the middle of January 2004,
21 I was working on trying to come up with a
22 much, much longer, more comprehensive filing,

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1 which I gave to him in the early part of
2 February. He didn't like that either, so we
3 scrapped everything to start it from scratch,
4 and he and I sat for about four weeks, and he
5 and I battled over every word of every
6 paragraph of every page until March of 2004.

7 And he finally filed something in
8 early March.

9 Q Okay. And do you remember what
10 that filing was called, the title?

11 A I think it was just an ex-parte
12 presentation. It was about 150 or 160 pages
13 long.

14 Q Okay. And was that a composite of
15 the two of you -- ideas?

16 A It was battling over every word on
17 every paragraph on every page.

18 Q A compromise, then?

19 A No, it wasn't. It was his.

20 Q It was his?

21 A It was his.

22 Q Okay.

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1 A It wasn't going to get cleared
2 unless it was his. In other words, I had to
3 convince him on every paragraph. We just went
4 one paragraph at a time. Very, very, very
5 slowly. And after a while, we'd start yelling
6 and screaming, and threatening to beat the
7 crap out of each other, and then we'd take a
8 break and start all over again.

9 Q Who was the one most in
10 communication with David Kaufman during this
11 period of time?

12 A Oh, Matt. Matt.

13 Q Matt?

14 A Oh, yes.

15 Q Did you communicate with him,
16 though?

17 A In that era? I didn't talk to
18 David for months.

19 Q In 2004?

20 A Yes. That was all Matt. It wasn't
21 me.

22 Q You mean around this particular

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1 filing?

2 A For months before and after, it was
3 all Matt.

4 Q Is there a period of time where you
5 were in fairly regular contact with David
6 Kaufman?

7 A Not really, no.

8 Q If you can recall, who put the
9 company in touch with David Kaufman?

10 A Matt found him, actually.

11 Q Do you remember when that was?

12 A Early 1998. I'd recommended a
13 different law firm, and I didn't much care for
14 David, to tell you the truth, and past
15 experiences, but Matt decided to hire him.

16 Q Did you ever do any administrative
17 type tasks for Preferred in your office?

18 A Like what?

19 A Renting space?

20 A No, no.

21 Q Supplies? Things like that?

22 A No.

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1 Q No? Who did that?

2 A Either Matt did it personally, or
3 when he had other people in the office. When
4 Linda McClain was there, she did that.

5 Q Now this is the office you were in?

6 A Yes, sir.

7 Q The California office?

8 A No, no. We're still in Texas.
9 This is 2004.

10 Q Okay. How many offices are there
11 in 2004? Only one?

12 A One.

13 Q Okay. And so at this point you and
14 Matt are together?

15 A I'm across the hall from him.

16 Q Okay. And your testimony is you
17 did no administrative tasks at that point?

18 A No, no. That would involve
19 spending money. That's not what I did.

20 MS. SINGH: May I?

21 MR. OSHINSKY: Sure.

22 MS. SINGH: If you expanded beyond

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1 that timeframe to generally, would you have
2 done administrative tasks for PCSI?

3 THE WITNESS: When I was in the
4 same place as Matt? No way.

5 MS. SINGH: When you were in
6 different places?

7 THE WITNESS: I didn't do that when
8 I was in California.

9 BY MR. OSHINSKY:

10 Q Who did it in California?

11 A Rob Estrada and the receptionist,
12 Rachele D'Amato, did.

13 Q Were you ever involved in
14 advertising for any of the positions that
15 Preferred either -- any type of employment,
16 consultant, finder's positions, any kind of
17 contracting?

18 A Estrada and I put together an ad
19 for -- Bob Estrada and I put together an ad
20 for a receptionist that ran in the paper. And
21 he interviewed or he hired the person. Put an
22 ad in the paper for some -- an executive

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1 assistant for me, and he interviewed
2 everybody, and he got down to two candidates,
3 and I got to pick the last candidate.

4 We ran ads for salesmen, and then
5 Estrada took all the phone calls and
6 interviewed them, and if they cleared him,
7 then they showed up and went through training.
8 That was the extent of what I knew.

9 Q And is a salesman different than a
10 finder?

11 A Yes. Finders are people --
12 basically, for example, a finder would be
13 someone like Larry Golby. Larry would be in
14 our, say, cellular group, and would know
15 people. I'm just using a name from someone I
16 know. He would contact the people in his
17 group, write a referral letter, and then try
18 to make some phone calls, and then work with
19 someone to raise money.

20 A salesman is somebody that doesn't
21 have any of these folks, who's going to be
22 calling people who are strangers, and try to

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1 get them interested.

2 And the idea was to have the
3 Escondido office become a marketing office,
4 and have a few salesmen on the second floor
5 making phone calls and trying to interest
6 people who had been in the wireless
7 communications industry in some form or
8 fashion and been successful, to invest in
9 Preferred.

10 So one person already has the
11 relationships. The other person doesn't.

12 Q Okay. And as far as hiring the
13 finders or brokers, what was your role in
14 that?

15 A Well, the finders were people I
16 knew.

17 Q All the finders?

18 A Oh, yes. There wasn't any reason
19 to talk to anybody else.

20 Q You were picking people based on
21 their contacts?

22 A I was picking people based on their

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1 contacts, the fact that I knew them and
2 trusted them and liked them.

3 Q Okay. And how were those people
4 paid?

5 A They got paid 10 percent of what
6 they raised, in cash, and they got so many
7 warrants to purchase shares of stock based on
8 the number -- based on like 100 warrants per
9 unit, or 200 warrants per unit, or whatever
10 they negotiated with the company.

11 Q And how often were they paid?

12 A Whenever Matt felt like it.

13 Q Can you give us an idea of how
14 often he felt like it?

15 A Not very often.

16 Q Not very often?

17 A He didn't pay them on time, he
18 didn't pay them correctly, and so we always
19 had problems with that. Yes, sir.

20 Q And is that -- at what point, what
21 year, approximately, did Preferred begin
22 hiring finders?

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1 A 2005.

2 Q And what about brokers?

3 A Salesmen?

4 Q Salesmen.

5 A It hired -- well, it didn't -- it
6 had contracts with them. It wasn't paying
7 them unless they, you know, unless they sold.
8 September, October 2005.

9 Q That's when that started?

10 A Yes, sir.

11 Q And are you saying that you were
12 not involved with the actual advertising for
13 these people? The finders you knew
14 personally, is what you stated?

15 A Yes, sir.

16 Q Okay. And what about advertisers
17 for other employees at your office in
18 California, say?

19 A Except for the first two, I didn't
20 have any involvement at all. Estrada --

21 Q The first two being -- ?

22 A The receptionist and the executive

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1 assistant.

2 Q What about Bob Estrada?

3 A Matt hired him against my great
4 protest.

5 Q And when was he hired? Do you
6 remember?

7 A I believe May 2005.

8 Q 2005?

9 A I need to go back on two things.

10 Q Okay.

11 A One, it wasn't September, October.
12 I think it was more like July, 2005 for the
13 salesman, and the guy's name I couldn't
14 remember, about the financial commitment
15 letters on the 220-222 MHz SMR -- guy's name
16 is Robert Gunther. He owns a tower company in
17 New Jersey and in Florida, by the way.

18 Q Okay. Did you ever instruct
19 anybody in the California office to advertise
20 for somebody you considered to be needed?

21 A No, Estrada did. After the first
22 two positions, Estrada did everything. I

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1 didn't, wasn't involved in that any more.

2 Q And he was hired by Charles Austin?

3 A Mr. Austin. Yes. Even though the
4 employment agreement has my name on it, and I
5 signed it.

6 Q Why did you sign it?

7 A Because Matt asked me to. Estrada
8 wanted someone there to physically sign it,
9 and so what was happening was we decided --
10 Matt and I agreed we were going to have a
11 marketing office. I wanted to put an ad in
12 the paper and hire a manager for the office.
13 He wouldn't let me do that. So he didn't want
14 to pay anything. So Estrada was willing to
15 work cheap. So he hired Estrada. He
16 negotiated out the agreement, and then Bob
17 wanted it signed, and so I put my name on it
18 and I signed it, even though I didn't hire the
19 guy, I didn't want to hire the guy, but I
20 wasn't involved in doing the hiring. So Matt
21 and he talked before, during and after that,
22 so --

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1 Q How did he know Mr. Estrada?

2 A Matt had been out there a couple
3 times, and he had talked to Bob on occasion,
4 and Bob was still there in the office. Matt
5 was -- he was kicking Clementine out of the
6 first floor, and then moving her up to the
7 second floor of that office space, and he
8 wasn't -- Matt wasn't willing to let me hire
9 anybody. So he decided he wanted to hire
10 Estrada. He knew him, and he was cheap, and
11 that's what he did.

12 Q Okay. How did you get along with
13 him?

14 A I didn't ever get along with
15 Robert.

16 Q What was --

17 A My nickname for Robert was Bad Bob,
18 and Bad Bob was bad all the time.

19 Q And what was the main source of
20 friction?

21 A Bob basically slept at his desk.
22 He was obnoxious. He wouldn't do anything I

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1 asked him to do. I talked to Matt all the
2 time. He spied on me. He was basically
3 talking to his sister all the time, and the
4 FBI was wiretapping the phones, trying to
5 catch the sister disclosing all kind a things
6 to Bob. And to me, this wasn't a real good
7 situation, so -- particularly given my past
8 problems, I really didn't feel, you know, feel
9 the need to be part of this. That's pretty
10 much how that worked out.

11 Q Were you ever involved in
12 reviewing? Did you give your reviews of any
13 of these employees at that office to Matt, and
14 you know, try to give him some input on who
15 should be retained and who should not, and who
16 was doing a good job, who wasn't?

17 A I tried to get him to give me the -
18 -they were cheating on their timesheets, just
19 to take something that's really basic. Most
20 of these people weren't showing up but two or
21 three times a week, right? And they were
22 filling out time reports showing they'd been

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1 there every day, they worked eight hours, and
2 so they were overbilling the company like
3 crazy.

4 And I was trying to have Matt give
5 me, you know, require them to give me the
6 timesheets, and I'd double -- you know, I'd
7 check everything and make sure they didn't get
8 paid more than they were owed, maybe make them
9 actually show up, you know, five days a week.

10 But they -- Mr. Matt decided he
11 wasn't going to require that, and so when I
12 couldn't get that far, I pretty much, you
13 know, kind of gave up on trying to provide
14 input as to how good or bad a job they were
15 doing.

16 Two people in the office listened
17 to me. One was the executive assistant, and
18 the other was some little old lady they hired
19 later. Her name was Terri Roller-Reese, and
20 she was a nice person. She just wasn't very
21 competent. She at least was trying to be
22 positive. The rest of them just ignored me,

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1 frankly. They didn't have to. They talked to
2 Estrada, and then Estrada would talk to Matt,
3 and that's what was going on.

4 Q How about in the Texas office? Did
5 you give him any input there?

6 A Basically I told him that nobody
7 there did any work, including him, and he got
8 mad, and so that was the end of my input.
9 That was good input, though.

10 Q Now you indicated that you had --

11 A He claimed they were the hardest-
12 working people in Dallas. I said boy, if
13 that's true, I'm going to do extremely well.

14 Q That was in the Texas office?

15 A Yes, sir.

16 Q You indicated that you did some
17 searches for legal service providers, and that
18 I think some of the documents indicate you did
19 searches for headhunting firms, and that type
20 of business. Can you give us some idea of,
21 you know, what you did in those areas, and how
22 that turned out?

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1 A Well, in 2002, in I guess the
2 summer of 2002, I made a big push to try to
3 have the company go forward and build and
4 operate systems, and Chandu Patel was going to
5 come down and have a meeting with us. And
6 Matt and I got into a huge fight over what the
7 company ought to be doing.

8 And when Chandu came down, I tried to
9 persuade him to convert most of his debt into
10 equity, because obviously you can't move
11 forward and get construction financing and so
12 forth if somebody's in a senior debt position,
13 and/or you've got all -- it's all debt, no
14 equity. You had to recapitalize the company.

15 And so Matt fought with me about
16 that, and he wouldn't support what I was
17 saying to Chandu, so Chandu wouldn't agree.

18 For a few months -- a few months
19 passed. Matt and Ms. McClain, who was working
20 in the office, stopped showing up for three
21 months. I'm there by myself, and I decided,
22 well, here's a guy who loaned us \$32 million,

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1 and I don't think we're doing our best to get
2 him a return on his money.

3 So I tried to figure out what the
4 company might want to do moving forward,
5 because it wasn't doing anything at the time.

6 So I contacted some accounting
7 firms. I contacted some of the executive
8 search firms. I contacted some securities law
9 firms. And went down and interviewed all of
10 them on behalf of the company, trying to see
11 what you could do. And I got all kinds of
12 information. These firms all had offices in
13 Dallas, because I didn't have any money to go
14 anywhere else.

15 And I put together a package, and -
16 - which was one of the exhibits when you were
17 deposing Mr. Austin. But I never had the
18 courage to send it to Mr. Patel. So you've
19 got one in January, 2003, and a later one in
20 January 2003, and there's one in February,
21 2003.

22 Q Who would you have sent these to?

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1 A Chandu. But I never sent them
2 because I knew if I did, Mr. Austin would go
3 ballistic when he realized I'd done that, and
4 they'd fire me, and I needed to still get some
5 money, and I still needed some position. At
6 that time I was on parole, and you have to
7 have a job, and I wasn't feeling real secure,
8 so I didn't send it off to Chandu.

9 Matt reappears in January, 2003.
10 He tells me he's got a new plan. He said,
11 it's great. We're going to sell everything,
12 he says. I said, great. You got a buyer?
13 Nope. No buyer.

14 Well, plan B wasn't going to get
15 very far. So we went back to plan A, which
16 is, you know, revive the company, and figure
17 out a way to convince Chandu to put in some
18 additional monies, and ramp up, and eventually
19 organize the company such as you can go and
20 operate major systems. So --

21 Q What was Mr. Patel's view of the
22 company at this point? Was he upset?

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1 Discouraged? How was he feeling? What did he
2 relay to you?

3 A He wanted to sell. He wanted to
4 sell everything.

5 Q And had that changed from the
6 beginning?

7 A Yes.

8 Q In what way?

9 A Well, he was convinced that Matt
10 wasn't going to build anything. So he was --
11 they're not going to build, they're not going
12 to go forward, let's sell and split the money,
13 and move on.

14 Q And do you know what happened to
15 make him convinced of that?

16 A The company didn't do anything
17 after the auction.

18 Q For how long a period of time?

19 A Well --

20 Q This is 2002, right?

21 A No, this is March, 2003. Two weeks
22 before he dies. He came -- he visited. He

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1 came down and met with us. You know, you had
2 December, 2000, you make the payment. Then
3 you've got 2001, 2002, and you're three months
4 into 2003, and nothing's happening. So what
5 are we going to do? So he came down and we
6 had meetings for days, and he was pretty much
7 insisting on -- that we sell everything. I
8 didn't want to sell, what little opinion I
9 had. Matt didn't want to sell, either, and so
10 he and Chandu started an argument, and they
11 were arguing for days. And Chandu left. And
12 two weeks later he died, so --

13 Q What was your view of the company
14 at this point?

15 A The company needed to go forward
16 and build and operate systems.

17 Q And what was your idea for doing it
18 at that point?

19 A Well, it's probably in those memos
20 I didn't send to Chandu, is probably what I
21 thought we should do. We being Preferred.

22 Q Can you give me a synopsis?

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1 A Well, you've got a company that's
2 sitting on extremely valuable licenses. The
3 company needed more spectrum in Puerto Rico.

4 Q After the auction licenses, you
5 needed additional spectrum?

6 A Well, you had two choices. One,
7 you could try to be another iDEN provider.
8 But you know, at that point you're starting to
9 look at, what, other technologies, and you're
10 looking to probably be a CDMA-based carrier.
11 You were going to need more spectrum.

12 Q To do CDMA?

13 A Yes. You needed certainly to clean
14 up the corporate books and records. You
15 needed to bring in some really strong people
16 for a board of directors. That's why you need
17 an executive search firm, certainly.

18 Q Have you ever heard of the system,
19 the 800 MHz licenses using CDMA? Just for my
20 -- out of curiosity.

21 A Well historically, it's difficult
22 because most of that spectrum was analogue,

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1 and a lot of it went TDMA, but the interim MHz
2 spectrum that Verizon would hold uses CDMA.

3 Q Okay. That's good enough.

4 A I mean, the spectrum don't care.

5 Q Okay.

6 A Spectrum just --

7 Q I thought there was some inherent
8 limitation in --

9 A No. Spectrum's just agnostic.

10 Q All right. Go ahead. I
11 interrupted you.

12 A So, you know, the company had
13 various issues that needed to be addressed.
14 Certainly, you had a board of directors issue,
15 management issues, but you'd acquire more
16 spectrum, and frankly, deploy an advanced
17 system in Puerto Rico, and probably be
18 extremely successful. And Chandu believed
19 that. But he wasn't the company. Matt was
20 the company, and if Matt wasn't going to move
21 forward, then Chandu was not going to replace
22 Matt, or try to encourage that. If Matt

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